

CITY OF ONIDA
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2011

CITY OF ONIDA
CITY OFFICIALS
DECEMBER 31, 2011

Mayor:

Gary Wickersham

Governing Board:

Barb Rilling
Marla Mosiman
Linda Knox
Joel Miller
Don Goddard
Bob Porter

Finance Officer:

Rondha Hiller

Attorney:

Emily Sovell

CITY OF ONIDA

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CITY OF ONIDA

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Onida
Onida, South Dakota

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Onida, South Dakota, as of December 31, 2011, and for each of the years in the biennial period then ended, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2011-01 and #2011-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings as items #2011-03 and #2011-04.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to the management of the City in a separate letter dated August 29, 2012.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the City of Onida, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Bierschbach & Anderson, LLP

August 29, 2012

CITY OF ONIDA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

PRIOR AUDIT FINDINGS:

#2009-01

A material weakness was reported for a lack of segregation of duties for cash, capital assets, equity, revenues, and budget. This condition is restated as current audit finding #2011-01.

#2009-02

The City does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with the modified cash basis, being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This comment is no longer applicable.

#2009-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment is restated as current audit finding #2011-02.

#2009-04

The City does not maintain perpetual inventory records for inventory used. This results in diminished control over inventory and can result in misleading information being presented to users of the financial statements. This comment is no longer applicable.

#2009-05

The City does not maintain adequate records to support the cost, year acquired, description, and location of general capital assets and enterprise fund capital assets. This resulted in diminished control over capital assets and can result in misleading information being presented to users of the financial statements. This comment is no longer applicable.

#2009-06

The City had several budget overdrafts in 2008 and 2009 in some of the funds. This comment is restated as current audit finding #2011-03.

CITY OF ONIDA
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2011-01

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, inventory, capital assets, equity, revenues, and budget, which could result in errors not being found in a timely manner.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Onida has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, inventory, capital assets, equity, revenues, and budget. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Onida which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Onida has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, inventory, capital assets, equity, revenues, and budget. The City of Onida is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding cash, inventory, capital assets, equity, revenues, and budget continues to exist.

Finding #2011-02

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with the modified cash basis of accounting.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

CITY OF ONIDA
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. He stated that the City does not have enough staff to maintain this standard.

Compliance and Other Matters:

Finding #2011-03

Criteria

SDCL 9-21-9 limits expenditures to appropriate amounts.

Condition Found

The City had material budget overdrafts in 2010 and 2011 in the General Fund. See the listing of overdrafts in Note 2.

Effect

Budgets are required for all funds. Per SDCL 9-21-9, expenditures are limited to the appropriated amounts.

Recommendation

We recommend the City limit expenditures to the amount budgeted, adopt a supplemental appropriation ordinance, or make contingency transfers for small line item deficits.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. He stated that they are aware of how to rectify this problem.

Finding #2011-04

Criteria

SDCL 5-18A requires cities to bid certain items that they purchase, including purchases of \$25,000 or more for materials, building supplies, or equipment and purchases of \$50,000 or more for improvements, with certain exceptions.

Condition Found

CITY OF ONIDA
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

The City had improvements done in the Electric Fund that exceeded \$50,000 that were required to be bid, but the improvements were not bid before the work was done

Effect

The improvements were not properly bid before they were purchased. Therefore, they were not in accordance with South Dakota Codified Law.

Recommendation

We recommend the City properly bid all items that are required to be bid before they are purchased.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. He stated, "In the future, everything will be bid."

Closing Conference

The contents of this report were discussed with Gary Wickersham, Marla Mosiman, Linda Knox, and Rondha Hiller on June 28, 2012.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

City Council
City of Onida
Onida, South Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Onida, South Dakota, as of December 31, 2011, and for each of the years in the biennial period then ended, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1.c. to the financial statements, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, and each major fund of the City of Onida, South Dakota, as of December 31, 2011, and the respective changes in financial position, thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kohlman, Bierbach & Anderson, LLP
August 29, 2012

CITY OF ONIDA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 144,304	\$ 61,088	\$ 205,392
Investments	543,747	725,916	1,269,663
Restricted Assets:			
Cash and cash equivalents	-	5,917	5,917
TOTAL ASSETS	<u>\$ 688,051</u>	<u>\$ 792,921</u>	<u>\$ 1,480,972</u>
NET ASSETS:			
Restricted for:			
Capital improvements	\$ -	\$ 5,917	\$ 5,917
Unrestricted	<u>688,051</u>	<u>787,004</u>	<u>1,475,055</u>
TOTAL NET ASSETS	<u>\$ 688,051</u>	<u>\$ 792,921</u>	<u>\$ 1,480,972</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 55,321	\$ 2,869	\$ -	\$ -	\$ (52,452)	\$ -	\$ (52,452)
Public safety	69,785	1,161	-	-	(68,624)	-	(68,624)
Public works	121,499	-	28,665	9,379	(83,455)	-	(83,455)
Culture and recreation	62,502	17,945	-	-	(44,557)	-	(44,557)
Conservation and development	1,500	-	-	-	(1,500)	-	(1,500)
Miscellaneous expenditure	400	-	-	-	(400)	-	(400)
Total Governmental Activities	311,007	21,975	28,665	9,379	(250,988)	-	(250,988)
Business-Type Activities:							
Water	123,215	132,473	-	-	-	9,258	9,258
Sewer	15,233	73,088	-	-	-	57,855	57,855
Electric	760,909	789,694	-	-	-	28,785	28,785
Solid Waste	84,156	75,212	-	-	-	(8,944)	(8,944)
Airport	27,160	-	-	21,638	-	(5,522)	(5,522)
Total Business-Type Activities	1,010,673	1,070,467	-	21,638	-	81,432	81,432
Total Primary Government	\$ 1,321,680	\$ 1,092,442	\$ 28,665	\$ 31,017	(250,988)	81,432	(169,556)
General Revenues:							
Taxes:							
Property taxes					141,993	-	141,993
Sales taxes					247,190	-	247,190
State shared revenues					5,168	-	5,168
Unrestricted investment earnings					765	374	1,139
Miscellaneous revenue					136	17,640	17,776
Total General Revenues					395,252	18,014	413,266
Change in Net Assets					144,264	99,446	243,710
Net Assets - Beginning					543,787	693,475	1,237,262
Net Assets - Ending					\$ 688,051	\$ 792,921	\$ 1,480,972

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 65,276	\$ 2,590	\$ -	\$ -	\$ (62,686)	\$ -	\$ (62,686)
Public safety	48,335	1,121	-	-	(47,214)	-	(47,214)
Public works	162,095	-	26,312	4,587	(131,196)	-	(131,196)
Culture and recreation	65,332	17,593	-	-	(47,739)	-	(47,739)
Conservation and development	1,500	-	-	-	(1,500)	-	(1,500)
Miscellaneous expenditure	400	-	-	-	(400)	-	(400)
Total Governmental Activities	342,938	21,304	26,312	4,587	(290,735)	-	(290,735)
Business-Type Activities:							
Water	124,041	128,232	-	-	-	4,191	4,191
Sewer	12,774	53,702	-	-	-	40,928	40,928
Electric	733,302	778,322	-	-	-	45,020	45,020
Solid Waste	80,504	72,392	-	-	-	(8,112)	(8,112)
Airport	28,571	-	-	19,665	-	(8,906)	(8,906)
Total Business-Type Activities	979,192	1,032,648	-	19,665	-	73,121	73,121
Total Primary Government	\$ 1,322,130	\$ 1,053,952	\$ 26,312	\$ 24,252	(290,735)	73,121	(217,614)
General Revenues:							
Taxes:							
Property taxes					133,068	-	133,068
Sales taxes					237,069	-	237,069
State shared revenues					4,994	-	4,994
Unrestricted investment earnings					923	675	1,598
Miscellaneous revenue					642	16,535	17,177
Total General Revenues					376,696	17,210	393,906
Change in Net Assets					85,961	90,331	176,292
Net Assets - Beginning					457,826	603,144	1,060,970
Net Assets - Ending					\$ 543,787	\$ 693,475	\$ 1,237,262

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND
DECEMBER 31, 2011

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 144,304
Investments	<u>543,747</u>
TOTAL ASSETS	<u>\$ 688,051</u>
FUND BALANCES:	
Unassigned	<u>\$ 688,051</u>
TOTAL FUND BALANCES	<u>\$ 688,051</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2011

	General Fund
REVENUES:	
Taxes:	
General property taxes	\$ 141,216
General sales and use taxes	247,190
Amusement taxes	180
Penalties and interest on delinquent taxes	597
Licenses and Permits	2,869
Intergovernmental Revenue:	
State shared revenue:	
Bank franchise tax	540
Liquor tax reversion	4,628
Motor vehicle licenses (5%)	14,658
Local government highway and bridge fund	8,782
County shared revenue:	
County road tax (25%)	3,490
County wheel tax	1,735
Charges for Goods and Services:	
Public safety	1,011
Culture and recreation	17,945
Fines and Forfeits:	
Court fines and costs	150
Miscellaneous Revenue:	
Investment earnings	765
Special assessments	9,379
Other	136
TOTAL REVENUE	455,271
EXPENDITURES:	
General Government:	
Legislative	20,877
Elections	17
Financial administration	34,427
Public Safety:	
Police	49,785
Fire	20,000
Public Works:	
Highways and streets	121,499
Culture and Recreation:	
Recreation	45,551
Parks	16,951
Conservation and Development:	

	<u>General Fund</u>
Economic development and assistance (industrial development)	1,500
Miscellaneous:	
Liquor operating agreements	<u>400</u>
TOTAL EXPENDITURES	<u>311,007</u>
NET CHANGE IN FUND BALANCE	144,264
FUND BALANCE - BEGINNING	<u>543,787</u>
FUND BALANCE - ENDING	<u><u>\$ 688,051</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>General Fund</u>
REVENUES:	
Taxes:	
General property taxes	\$ 132,338
General sales and use taxes	237,069
Amusement taxes	180
Penalties and interest on delinquent taxes	550
Licenses and Permits	2,590
Intergovernmental Revenue:	
State shared revenue:	
Bank franchise tax	489
Liquor tax reversion	4,505
Motor vehicle licenses (5%)	13,859
Local government highway and bridge fund	8,544
County shared revenue:	
County road tax (25%)	2,196
County wheel tax	1,713
Charges for Goods and Services:	
Public safety	1,121
Culture and recreation	17,593
Miscellaneous Revenue:	
Investment earnings	923
Special assessments	4,587
Other	<u>642</u>
 TOTAL REVENUE	 <u>428,899</u>
EXPENDITURES:	
General Government:	
Legislative	33,469
Elections	21
Financial administration	31,786
Public Safety:	
Police	48,335
Public Works:	
Highways and streets	162,095
Culture and Recreation:	
Recreation	56,698
Parks	8,634
Conservation and Development:	
Economic development and assistance (industrial development)	1,500
Miscellaneous:	
Liquor operating agreements	<u>400</u>

	General Fund
TOTAL EXPENDITURES	<u>342,938</u>
NET CHANGE IN FUND BALANCE	85,961
FUND BALANCE - BEGINNING	<u>457,826</u>
FUND BALANCE - ENDING	<u>\$ 543,787</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
BALANCE SHEET - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-Type Activities Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Airport Fund	
ASSETS:						
Current Assets:						
Cash and cash equivalents	\$ 13,449	\$ 5,022	\$ 1,858	\$ (11,661)	\$ 52,420	\$ 61,088
Investments	<u>127,975</u>	<u>188,793</u>	<u>409,148</u>	<u>-</u>	<u>-</u>	<u>725,916</u>
Total Current Assets	<u>141,424</u>	<u>193,815</u>	<u>411,006</u>	<u>(11,661)</u>	<u>52,420</u>	<u>787,004</u>
Noncurrent Assets:						
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,917</u>	<u>5,917</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,917</u>	<u>5,917</u>
TOTAL ASSETS	<u>\$ 141,424</u>	<u>\$193,815</u>	<u>\$ 411,006</u>	<u>\$ (11,661)</u>	<u>\$58,337</u>	<u>\$ 792,921</u>
NET ASSETS:						
Restricted net assets, restricted for:						
Capital improvements	\$ -	\$ -	\$ -	\$ -	\$ 5,917	\$ 5,917
Unrestricted net assets	<u>141,424</u>	<u>193,815</u>	<u>411,006</u>	<u>(11,661)</u>	<u>52,420</u>	<u>787,004</u>
TOTAL NET ASSETS	<u>\$ 141,424</u>	<u>\$193,815</u>	<u>\$ 411,006</u>	<u>\$ (11,661)</u>	<u>\$58,337</u>	<u>\$ 792,921</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Airport Fund	
OPERATING REVENUE:						
Charges for goods and services	\$ 132,473	\$ 73,088	\$ 789,694	\$ 75,212	\$ -	\$ 1,070,467
Miscellaneous	-	-	1,630	-	-	1,630
TOTAL OPERATING REVENUE	<u>132,473</u>	<u>73,088</u>	<u>791,324</u>	<u>75,212</u>	<u>-</u>	<u>1,072,097</u>
OPERATING EXPENSES:						
Personal services	20,422	8,256	16,784	47,033	-	92,495
Other current expense	18,738	6,977	69,522	13,907	4,383	113,527
Materials (cost of goods sold)	84,055	-	646,623	23,136	-	753,814
Capital assets	-	-	27,980	80	22,777	50,837
TOTAL OPERATING EXPENSES	<u>123,215</u>	<u>15,233</u>	<u>760,909</u>	<u>84,156</u>	<u>27,160</u>	<u>1,010,673</u>
OPERATING INCOME (LOSS)	<u>9,258</u>	<u>57,855</u>	<u>30,415</u>	<u>(8,944)</u>	<u>(27,160)</u>	<u>61,424</u>
NONOPERATING REVENUE						
Capital grants	-	-	-	-	21,638	21,638
Investment earnings	-	288	-	-	86	374
Rental revenue	-	-	-	-	15,964	15,964
Other	-	-	-	-	46	46
TOTAL NONOPERATING REVENUE	<u>-</u>	<u>288</u>	<u>-</u>	<u>-</u>	<u>37,734</u>	<u>38,022</u>
CHANGE IN NET ASSETS	9,258	58,143	30,415	(8,944)	10,574	99,446
NET ASSETS - BEGINNING	<u>132,166</u>	<u>135,672</u>	<u>380,591</u>	<u>(2,717)</u>	<u>47,763</u>	<u>693,475</u>
NET ASSETS - ENDING	<u>\$ 141,424</u>	<u>\$193,815</u>	<u>\$ 411,006</u>	<u>\$(11,661)</u>	<u>\$ 58,337</u>	<u>\$ 792,921</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds					
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Airport Fund	Totals
OPERATING REVENUE:						
Charges for goods and services	\$ 128,232	\$ 53,702	\$ 778,322	\$72,392	\$ -	\$ 1,032,648
Miscellaneous	-	83	112	-	-	195
TOTAL OPERATING REVENUE	<u>128,232</u>	<u>53,785</u>	<u>778,434</u>	<u>72,392</u>	<u>-</u>	<u>1,032,843</u>
OPERATING EXPENSES:						
Personal services	20,923	4,819	19,246	49,257	-	94,245
Other current expense	23,042	7,955	65,883	8,222	7,871	112,973
Materials (cost of goods sold)	80,076	-	496,991	22,051	-	599,118
Capital assets	-	-	151,182	974	20,700	172,856
TOTAL OPERATING EXPENSES	<u>124,041</u>	<u>12,774</u>	<u>733,302</u>	<u>80,504</u>	<u>28,571</u>	<u>979,192</u>
OPERATING INCOME (LOSS)	<u>4,191</u>	<u>41,011</u>	<u>45,132</u>	<u>(8,112)</u>	<u>(28,571)</u>	<u>53,651</u>
NONOPERATING REVENUE						
Capital grants	-	-	-	-	19,665	19,665
Investment earnings	-	536	-	-	139	675
Rental revenue	-	-	-	-	16,340	16,340
TOTAL NONOPERATING REVENUE	<u>-</u>	<u>536</u>	<u>-</u>	<u>-</u>	<u>36,144</u>	<u>36,680</u>
CHANGE IN NET ASSETS	4,191	41,547	45,132	(8,112)	7,573	90,331
NET ASSETS - BEGINNING	<u>127,975</u>	<u>94,125</u>	<u>335,459</u>	<u>5,395</u>	<u>40,190</u>	<u>603,144</u>
NET ASSETS - ENDING	<u>\$ 132,166</u>	<u>\$135,672</u>	<u>\$ 380,591</u>	<u>\$(2,717)</u>	<u>\$47,763</u>	<u>\$ 693,475</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. **Financial Reporting Entity:**

The reporting entity of the City of Onida consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - (Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Electric Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Solid Waste Fund - To account for the collection and disposal of solid waste from the City. (SDCL 9-32-11 and 34A-6) This is a major fund.

Airport Fund - To account for the acquisition, construction and operation of the City airport. (SDCL 50-7-2) This is a major fund.

c. **Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - (Continued)

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are:

1. Recording long-term investments in marketable securities and bank savings certificates (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Program Revenues:

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - (Continued)

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

g. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net assets and is displayed in two components:

1. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

h. Application of Net Assets:

It is the City's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

i. Fund Balance Classification Policies and Procedures:

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - (Continued)

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended <u>12/31/2010</u>	Year Ended <u>12/31/2011</u>
General Fund:		
<u>Activity:</u>		
General Government - Legislative	\$ 944	\$ --
General Government - Financial administration	\$ --	\$ 108
Public Safety - Fire	\$ --	\$10,000
Culture and Recreation - Recreation	\$15,091	\$ 3,744
Conservation and Development - Economic development and assistance (industrial development)	\$ 1,500	\$ --

The City plans to take the following actions to address these violations: Supplement the budget and make contingency transfers.

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of all the funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2011, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	<u>\$1,225,442</u>	<u>\$1,225,442</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from cities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in SDFIT (98%).

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 3 - (Continued)

fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$5,917	For capital improvements in the Airport Fund

NOTE 5 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 6 - RESTRICTED NET ASSETS

Restricted net assets for the year ended December 31, 2011, were as follows:

Major Funds

Capital Improvement Purposes – Airport Fund	<u>\$5,917</u>
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These balances are restricted by the terms of the grant agreement.

NOTE 7 - RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 7 - (Continued)

contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009, were \$7,347, \$6,794, and \$6,611, respectively, equal to the required contributions each year.

NOTE 8 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2011, the City was not involved in any litigation.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 29, 2012, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2011, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

CITY OF ONIDA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 10 - (Continued)

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

SUPPLEMENTARY INFORMATION

CITY OF ONIDA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 123,400	\$ 123,400	\$ 141,216	\$ 17,816
General sales and use taxes	228,000	228,000	247,190	19,190
Amusement taxes	-	-	180	180
Penalties and interest on delinquent taxes	500	500	597	97
Licenses and Permits	2,400	2,400	2,869	469
Intergovernmental Revenue:				
State shared revenue:				
Bank franchise tax	300	300	540	240
Liquor tax reversion	4,500	4,500	4,628	128
Motor vehicle licenses (5%)	12,000	12,000	14,658	2,658
Local government highway and bridge fund	7,700	7,700	8,782	1,082
County shared revenue:				
County road tax (25%)	2,500	2,500	3,490	990
County wheel tax	1,600	1,600	1,735	135
Charges for Goods and Services:				
Public safety	3,400	3,400	1,011	(2,389)
Culture and recreation	18,500	18,500	17,945	(555)
Fines and Forfeits:				
Court fines and costs	-	-	150	150
Miscellaneous Revenue:				
Investment earnings	10,000	10,000	765	(9,235)
Special assessments	4,800	4,800	9,379	4,579
Other	2,000	2,000	136	(1,864)
TOTAL REVENUE	421,600	421,600	455,271	33,671
EXPENDITURES:				
General Government:				
Legislative	23,118	23,118	20,877	2,241
Elections	325	325	17	308
Financial administration	34,319	34,319	34,427	(108)
Public Safety:				
Police	49,785	49,785	49,785	-
Fire	10,000	10,000	20,000	(10,000)
Public Works:				
Highways and streets	427,948	427,948	121,499	306,449
Culture and Recreation:				
Recreation	41,807	41,807	45,551	(3,744)
Parks	21,106	21,106	16,951	4,155
Conservation and Development:				

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Economic development and assistance (industrial development)	1,500	1,500	1,500	-
Miscellaneous:				
Liquor operating agreements	<u>400</u>	<u>400</u>	<u>400</u>	<u>-</u>
TOTAL EXPENDITURES	<u>610,308</u>	<u>610,308</u>	<u>311,007</u>	<u>299,301</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(188,708)</u>	<u>(188,708)</u>	<u>144,264</u>	<u>332,972</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>188,708</u>	<u>188,708</u>	<u>-</u>	<u>(188,708)</u>
TOTAL OTHER FINANCING SOURCES	<u>188,708</u>	<u>188,708</u>	<u>-</u>	<u>(188,708)</u>
NET CHANGE IN FUND BALANCES	-	-	144,264	144,264
FUND BALANCE - BEGINNING	<u>543,787</u>	<u>543,787</u>	<u>543,787</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 543,787</u>	<u>\$ 543,787</u>	<u>\$ 688,051</u>	<u>\$ 144,264</u>

CITY OF ONIDA
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 121,000	\$ 121,000	\$ 132,338	\$ 11,338
General sales and use taxes	191,000	191,000	237,069	46,069
Amusement taxes	-	-	180	180
Penalties and interest on delinquent taxes	500	500	550	50
Licenses and Permits	2,120	2,120	2,590	470
Intergovernmental Revenue:				
State shared revenue:				
Bank franchise tax	300	300	489	189
Liquor tax reversion	4,000	4,000	4,505	505
Motor vehicle licenses (5%)	12,000	12,000	13,859	1,859
Local government highway and bridge fund	8,000	8,000	8,544	544
County shared revenue:				
County road tax (25%)	2,500	2,500	2,196	(304)
County HBR tax (25%)	600	600	-	(600)
County wheel tax	2,000	2,000	1,713	(287)
Charges for Goods and Services:				
Public safety	5,500	5,500	1,121	(4,379)
Culture and recreation	19,000	19,000	17,593	(1,407)
Miscellaneous Revenue:				
Investment earnings	21,447	21,447	923	(20,524)
Special assessments	8,200	8,200	4,587	(3,613)
Other	2,650	2,650	642	(2,008)
TOTAL REVENUE	400,817	400,817	428,899	28,082
EXPENDITURES:				
General Government:				
Legislative	32,525	32,525	33,469	(944)
Elections	325	325	21	304
Financial administration	36,874	36,874	31,786	5,088
Public Safety:				
Police	48,835	48,835	48,335	500
Fire	10,000	10,000	-	10,000
Public Works:				
Highways and streets	250,880	250,880	162,095	88,785
Culture and Recreation:				
Recreation	41,607	41,607	56,698	(15,091)
Parks	23,950	23,950	8,634	15,316
Conservation and Development:				

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Economic development and assistance (industrial development)	-	-	1,500	(1,500)
Miscellaneous:				
Liquor operating agreements	<u>575</u>	<u>575</u>	<u>400</u>	<u>175</u>
TOTAL EXPENDITURES	<u>445,571</u>	<u>445,571</u>	<u>342,938</u>	<u>102,633</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(44,754)</u>	<u>(44,754)</u>	<u>85,961</u>	<u>130,715</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>44,754</u>	<u>44,754</u>	<u>-</u>	<u>(44,754)</u>
TOTAL OTHER FINANCING SOURCES	<u>44,754</u>	<u>44,754</u>	<u>-</u>	<u>(44,754)</u>
NET CHANGE IN FUND BALANCES	-	-	85,961	85,961
FUND BALANCE - BEGINNING	<u>457,826</u>	<u>457,826</u>	<u>457,826</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 457,826</u>	<u>\$ 457,826</u>	<u>\$ 543,787</u>	<u>\$ 85,961</u>

CITY OF ONIDA
NOTES TO SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
DECEMBER 31, 2011

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the General Fund.

The City did not encumber any amounts at either December 31, 2010, or December 31, 2011.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2 - Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.